



February 27, 2008

TO: Chairman Erpenbach and Members of the Senate Committee on Health, Human Services, Insurance, and Job Creation

FROM: Nick Turkal, MD, President and CEO, Aurora Health Care
Jon Vice, President and CEO, Children's Hospital and Health System of Wisconsin
Leo Brideau, President and CEO, Columbia St. Mary's Hospital and Clinics
Bill Petasnick, President and CEO, Froedtert Hospital and the Froedtert and Community Health System
John Oliverio, President and CEO, Wheaton Franciscan Healthcare

RE: SB490/Support for the Hospital Assessment-Medicaid Reform

HOSPITALS NEED MEANINGFUL MEDICAID REFORM

We offer this written testimony regarding SB490 relating to the hospital assessment. Collectively, our five health care systems serve 51.6 percent of all Medicaid patients in Wisconsin hospitals. For some of us, Medicaid equates to nearly 50% of our patient mix. Hospitals have not received a rate increase for Medicaid services in 12 years. Rates have not been adjusted to keep pace with inflation, and the gap between what it costs a hospital to treat a Medicaid patient and what a hospital is paid for those services continues to widen. For southeastern Wisconsin hospitals, the Medicaid shortfall in 2006 totaled approximately \$266.5 million.

We support the hospital assessment and encourage committee members to view its policy favorably. As you know, an assessment on hospitals was proposed by Governor Doyle in his FY 2007-9 budget as a way to improve Medicaid reimbursement rates for hospitals. This proposal followed the lead of 23 other states that maximized the federal funding available for Medicaid.

Unfortunately, the hospital assessment in Wisconsin was defeated in the budget process.

Opponents of the hospital assessment have wrongly labeled it a "tax" on the sick. It is no such thing. It is a reasonable way to leverage additional federal support for our most vulnerable patients and at the same time reduce the cost-shifting that has long been a chronic problem for Wisconsin's health care system and business community.

HOSPITAL ASSESSMENT BUSINESS IMPACT

The \$400 million in federal funding that was left on the table included significant resources to help support the "safety net" hospitals in the Milwaukee area that care for many people enrolled in Medicaid. Without meaningful Medicaid payment increases, these hospitals and the low-income patients they serve are at great risk.

The Wisconsin Hospital Association calculates that the Medicaid shortfall for Wisconsin hospitals totaled \$2.98 billion over the last 12 years. In 2006 alone, the shortfall for Milwaukee area hospitals totaled \$205 million. Most of that cost presumably was shifted to employers and consumers through higher insurance premiums – the so-called "hidden tax." This enormous hidden tax continues to threaten the competitiveness of Wisconsin businesses and quality of life for commercial health care consumers.

We applaud the Governor, Senator Breske, and other lawmakers for continuing to forward this critical policy and urge you to take advantage of the same opportunity that 23 other states have seized by successfully implementing hospital assessment programs. Without this action in Wisconsin, a Medicaid reimbursement rate increase for hospitals is unlikely to occur in the foreseeable future. As a result, our Medicaid shortfall will continue to grow and health care costs for Wisconsin businesses will continue to rise.

Wisconsin deserves its fair share of federal funds. The hospital assessment is a tried and true Medicaid maximization opportunity that cannot be overlooked.